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UNCLAS ABU DHABI 03820

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UNCLAS SECTION 01 OF 02 ABU DHABI 003820

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STATE FOR EB/TPP/ABT, THOMAS LERSTEN  
STATE PLEASE PASS TO USTR FOR AHEYLIGER  
COMMERCE FOR ITA/OTEXA MARIA D'ANDREA

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TAGS: [KTEX](#) [ECON](#) [ETRD](#) [AE](#)  
SUBJECT: UAE TEXTILES AND APPAREL SECTOR: SLOWDOWN DUE TO INCREASED  
INTERNATIONAL COMPETITION

REF: A) State 138090

B) Abu Dhabi 2563

11. (SBU) Summary: The UAE textile industry continues to decline due to increased international competition brought on by the elimination of the worldwide textile quotas. Two textile factories in the Jebel Ali Free Zone (Emirates Textiles LTD. and Carolina Fabrics LTD.) and one garment factory in Abu Dhabi (Abu Dhabi Garment Factory) are anxious about current and future prospects of the UAE textile industry. There are no direct measures by the UAEG to increase competition, although the Emirates of Dubai and Sharjah encourage textile sector growth through exhibitions and new projects. The UAEG has not implemented safeguards to reduce imports of Chinese textiles, and the U.S. safeguards to restrict the growth of Chinese import growth have no notable effect on the UAE textile and apparel export prospects. The industry is counting on benefits from an anticipated FTA between the U.S. and the UAE to maintain the industry as an important part of the UAE's manufacturing sector. End Summary.

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Updated Textile and Apparel Statistics  
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12. (U) Official data for 2005 regarding the UAE's total textile and apparel production is not available. However, based on analysis of Central Bank information, the textile and apparel sector comprised an estimated 5.73 billion USD, which makes up 6 percent of the UAE non-oil economy. In 2005, the total industrial production in the UAE was 75.6 billion USD. The total manufacturing industrial production was 16.6 billion USD, which comprised 21.96 percent of the total industrial sector, according to the Ministry of Economy's statistics. In 2005, textiles and apparel comprised 5.6 percent of

the UAE's imports, 5 percent of its non-oil exports, and 7.3 percent of the country's re-exports, based on estimated data by the UAE Central Bank. In 2005, the UAE exports in textile and apparel to the U.S. comprised 67.86 million USD, according to the Dubai Chamber of Commerce's economic bulletin published in May 2006.

¶3. (U) Analysis based on time series data for 2001 onward shows textile and apparel trade's share of total trade declining over the last five years.

¶4. (U) According to statistics from Ministry of Finance and Industry, in 2005 there were 245,707 individuals employed in the manufacturing sector, which comprised 9.45 percent of total employees. Thirteen percent of these were employed in textiles and apparel (32,069 individuals).

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Anxiety Regarding International Competition  
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¶5. (U) Textile and apparel manufacturers have expressed their concern about international competition as a result of the elimination in January 2005 of the worldwide textile quota. The main competitor countries for the UAE textile and apparel sector are China, India, Egypt, Bangladesh, Jordan and Kenya. Two textile factories reported that they had lowered the price of their products to maintain the previous year's orders.

¶6. (U) Due to international competition, many factories in the UAE have closed. According to a report by Emirates Industrial Bank, there were 200 garment establishments in the UAE at the industry's peak in 1997, 151 factories in 2004 and around 100 establishments in ¶2006. The report said several companies have relocated their factories to other countries with lower costs, while maintaining offices in the UAE. The report also noted that many factories were relocated to countries receiving preferential treatment from the US.

The Emirates Industrial Bank's report cites "the choice of relocation destinations are Jordan and sub-Saharan Africa, areas which are receiving preferential treatment from the US in form of duty-free access to the US market." Business people from the textile industry mentioned Jordan and Bahrain as locations, due to their FTA's with the U.S.

¶7. (SBU) Officials from textile factories noted that they are pessimistic about the future of the textile industry in the UAE. They said the UAE textile industry is unable to compete with China, India and Bangladesh because of a higher cost of inputs in the UAE in comparison with these countries, particularly the cost of labor, electricity, water and oil.

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Measures to Face International Competition  
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¶8. (U) There are no direct measures by the UAE government or private industry to increase competitiveness in international markets. However, Ministry of Economy officials stated that the Ministry has encouraged the UAE textile and apparel factories to export more to the member countries of the Arab Free Trade Zone and Gulf Cooperation Council (GCC) in order to take advantages of preferential access to these markets.

¶9. (U) The Dubai and Sharjah governments are assisting this sector by sponsoring exhibitions, which attract many international textile and apparel manufacturers. The Middle East Fashion Textile, Leather and Accessories Exhibition (MOTEXHA 2006), the Middle East region's largest trade show for garments, textiles, leather and fashion accessories was inaugurated in April 2006. Over 250 exhibitors from 30 countries attended the event. Another four-day textile exhibition "Texpo", will be held at the Expo Center in Sharjah this month. The exhibition will feature new equipment to improve the textile and apparel industry in the UAE. The exhibition will attract over 80 exhibitors from many countries. Additionally, Dubai Textile City was launched in 2004. The first phase of the project had already been rented out to more than 90 investors.

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Safeguards to restrict imports from China  
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¶10. (SBU) Ministry of Economy officials stated that the UAE Government has not implemented safeguards or measures to reduce the growth of imports of Chinese textile products into the UAE, although one official from Emirates Textile Limited Factory said the UAE government is proposing to impose taxes on textiles and apparel from China.

¶11. (U) Officials from the private sector said that the U.S. safeguards to restrict the growth of Chinese imports and the European Agreement with China to limit import growth of certain textile and apparel products have had no notable effect on the UAE textile and apparel export prospects.

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Impact on Labor  
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¶12. (U) The majority of laborers in the textile sector are expatriates from India, Pakistan and Bangladesh, and the closure of textile and apparel factories and businesses requires these workers to leave the country for a minimum of six months before they can be re-employed by a new company. Officials from textile factories stated that there was no reduction in salaries or benefits of their workers. Officials from Abu Dhabi Garment factory noted that their U.S. clients conduct regular visits to the factory to ensure that workers are provided a safe working environment.

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Expected Benefits from a U.S./UAE FTA  
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¶13. (U) Textile and apparel producers believe that an FTA between the US and UAE will enhance textile exports to U.S. markets by providing a preferential advantage and lowering tariffs on UAE textile exports to the U.S. In addition, it will allow cheaper import of some inputs from the US, such as rolls of yarn. Manufacturers believe that the anticipated FTA would enhance the UAE textile and apparel sector by lowering tariffs on the UAE textile and apparel export to the US.

¶14. (U) Officials from the Abu Dhabi Garment Factory stated that they are worried that the anticipated US/UAE FTA would restrict their imports of raw materials of textile and apparel.

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Comment  
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¶15. (U) The Textile industry in UAE is still declining due to international competition and is pinning its hopes of revival on the conclusion of a US-UAE FTA.

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